

REPORT TO CABINET

Open		Would any decisions proposed :		
Any especially affected Wards	Discretionary /	Be entirely within Cabinet's powers to decide	NO	
	Operational	Need to be recommendations to Council	YES	
		Is it a Key Decision	YES	
Lead Member: E-mail:		Other Cabinet Members consulted:		
		Other Members consulted:		
Lead Officer: Dale Gagen E-mail: dale.gagen@west-norfolk.gov.uk Direct Dial: 01553 616505		Other Officers consulted:		
Financial Implications YES/NO	Policy/Personnel Implications YES/NO	Statutory Implications YES/NO	Equal Impact Assessment YES/NO If YES: Pre-screening/ Full Assessment	Risk Management Implications YES/NO

Date of meeting: 7th September 2016

NORA JOINT VENTURE – PHASE 3

Summary

This report updates Members on progress made on the NORA Housing project and requests Members to agree to give delegated authority to the Chief Executive and the Chief financial officer in consultation with the Portfolio Holder for Regeneration, to authorise the signing of contracts to enable the start of works for Phase 3.

Recommendation

To authorise the signing of contracts and start of works for Phase 3.

Reason for Decision

To allow the development on Nar Valley Park (NORA) to be completed.

1. Background

1.1 The Borough Council of King's Lynn and West Norfolk has led the redevelopment of the Nar Ouse Regeneration Area (NORA) since its inception in 1998. NORA aims to deliver the comprehensive regeneration of an area of around 53 hectares of underused and derelict land extending from Boal Street to the A47 adjacent to South Lynn. The Council has worked in partnership with the East of England Development Agency (EEDA), English Partnerships (now the Homes and Communities Agency), Norfolk County Council and developers Morston Assets to deliver the NORA Millennium

Community on the southern site since 2002. Throughout the programme, community stakeholders have been actively engaged in the development of detailed plans through the NORA Consultative Group.

1.2 An agreement with Norfolk County Council (NCC) to create a contractual Joint Venture to deliver the first phase of residential units on the Council's land at NORA was approved by Cabinet on 3rd April 2010 and signed with the NCC on 8 October 2012. This approach gave access to NCC capital funding and housing related specialist expertise and staffing capacity.

1.3 Following a tendering process, contract negotiation took place with Morgan Sindall. Once the full price for the scheme was calculated together with their prelims, it became apparent that they were not the lowest tender. As a result contract negotiations then took place with Carter Builders whose tender proved to be the best value on offer under the procurement. Carters started on site on February 2013.

2. How the Project has Progressed

2.1 It was always known that due to the previous uses and the location of the site that this project would be difficult to deliver and during the first two phases the Council has had to deal with the following major issues.

- (i) Condition of existing pumped foul sewer
- (ii) Ground level and surcharging requirements
- (iii) Ground water issues
- (iv) Residual contamination
- (v) Deep excavations to allow surface water drainage and sewer connections.

2.2 All these issues have related to ground conditions and as all site servicing has been completed as part of the phase 1 and phase 2 contracts further risk in the ground for phase 3 is greatly reduced.

3. Works Carried out in Advance of this Phases

3.1 Due to the nature of the project and to gain best value, certain works have been carried out prior to the commencement of phases 2 and 3. These costs are added to the JV Account and allocated to the relevant phase during the development stage. All outstanding sums within the JV account are subject to interest, the cost of which is shared equally by the partners. These costs include:-

- (i) Master Planning costs associated with Phase 3
- (ii) Planning Fees
- (iii) Services Design
- (iv) Installing roads and installing services in road / footpaths (as part of road building phase)

4. Trigger Point to Allow Phase 3 to Start

4.1 Under the JV agreement, the partners need to consider whether they wish to proceed with Phase 3 of the project. To help inform this decision by Cabinet a revised Business Plan is shown in section 7 below.

5. Update on Phase 1 & phase 2

5.1 The following table shows the number of units planned for each phase, together with sales progress at the time of writing this report.

Description	Phase 1	Phase 2	Phase 3
Number of units	54	60	50
Number of units Sold	54	5	0
Number of units reserved	0	20	0
Number of units handed over for sale	54	21	0

5.2 To enable sale to continue to be made 'off plan' for phase 3, it is proposed that 2 units are held back from phase 2 and dressed as show homes.

6. Policy Implications

6.1 The contents of this report are in line with the Council's policy to develop the NORA site.

7. Financial Implications

7.1 The following table at paragraph 7.2 shows the revised Business Case for Phases 1 and 2

7.2 The land value generated from this site is shown at line 4 and will amount to £3,800,000. Line 14 shows the contribution the Borough has made to the scheme (funded by reducing the land value) as £1,309,866.27. This means that the net receipt for the site is estimated to be £2,490,133.73.

Line	Description	Phase 1	Phase 2	Phase 3	Total
1	Main Contract	7,986,676.64	7,713,692.89	6,880,740.00	22,581,109.53
2	Carpets and Show Homes	59,584.20	65,000.00	50,000.00	174,584.20
3	Land Issues (CLMS - WSP and Ashfields)	71,784.28	60,000.00	70,000.00	201,784.28
4	Land Value (Capital Receipt to Borough)	1,350,000.00	1,250,000.00	1,200,000.00	3,800,000.00
5	Start Up Costs	45,893.00	-	-	45,893.00
6	NPS (Planning and Project Management)	687,550.37	493,046.00	324,240.00	1,504,836.37
7	Sales Costs (legal and Estate Agents)	116,232.00	133,110.00	114,480.00	363,822.00
8	Energy	3,456.22	4,000.00	4,000.00	11,456.22
9	Council Tax & NDR	17,195.00	15,000.00	19,000.00	51,195.00
10	Interest	18,362.00	18,000.00	20,000.00	56,362.00

11	Total Costs	10,356,733.71	9,751,848.89	8,682,460.00	28,791,042.60
	Sale Income				
12	Affordable	(591,300.00)	(965,100.00)	(840,000.00)	(2,396,400.00)
13	Private	(7,476,250.00)	(8,533,000.00)	(8,003,000.00)	(24,012,250.00)
14	Borough Council Contribution	(1,207,965.00)	(101,901.27)		(1,309,866.27)
15	NCC Contribution	(1,200,000.00)			(1,200,000.00)
16	HCA Contribution	(33,066.33)			(33,066.33)
17	Surplus Brought Forward		(151,847.62)	0.00	
18	Contingency			160,540.00	160,540.00
19	Surplus Carried Forward	(151,847.62)	0.00	0.00	0.00

7.3 Under the Joint Venture agreement each party invested £1 Million into the regeneration project, the Council's contribution being in the form of land value and the NCC's in cash. The £1 million land value has been written off in the accounts as it was viewed as a regeneration project that was unlikely to see a return from the initial investment. The £1 million contribution is shown at line 14 and the NCC's £1 million cash is shown at line 15.

7.4 Once the housing units have been built and occupied, the Council will receive 'New Homes Bonus' and Council Tax.

8. Personnel Implications

8.1 There are no personnel implications associated with this report.

9. Statutory Considerations

9.1 The proposed actions to be taken within this report are covered under S.1 Localism Act 2011 (general power of competence)

10. Equality Impact Assessment (EIA)

10.1 Pre-Screening Equality Impact Assessment form indicates no full EIA is required.

11. Risk Management Implications

11.1 The initial reason the Council was progressing the JV with NCC was to reduce the risks to this Council by sharing them with NCC. The main risk related to the capacity and expertise of the Council to bring forward a housing development. The NCC has contributed £1million and allowed us to utilise NCC contracts and staff. The 'expertise' risk has been reduced and is demonstrated by Phase 1 being delivered, Phase 2 being well underway and Phase 3 being ready to start.

11.2 The other main development risks outstanding on this site relate to issues such as :-

(i) The market drops and as a consequence the Council decides not to progress the development at this time. However the works to date will have added value to the site and the site could be sold or developed once market conditions allowed. It should also be noted that at the time of writing this report 25 sales had been agreed 'off plan' for phase 2.

(ii) Some of the works may find additional cost associated to the site (further remediation works). Due to the history of the site and the work that has been undertaken there is still risk associated with this land. However most of the deep excavations are now complete so this risk will have reduced significantly by the time Phase 3 starts.

11.3 There are other financial risks associated with the development that relate to the building costs and the sales income associated with the project. The cost side is being mitigated by negotiating fixed price contracts for all the works and reducing development risk as far as possible. The sales income area of risk is being managed by obtaining up to date market intelligence and by developing the site in phases. This risk has been further mitigated by a recent report to Members which allows the setting up of a company, which is able to buy units from the site and let them on the private rental market should this be necessary. At present there seems to be a strong demand for new housing in King's Lynn, with a limited supply of new homes.

12. Declarations of Interest / Dispensations Granted

12.1 None.

13. Background Papers



Pre-Screening Equality Impact Assessment

Name of policy/service/function	NORA – Nar Valley Park Phase 2				
Is this a new or existing policy/ service/function?	Existing				
Brief summary/description of the main aims of the policy/service/function being screened. Please state if this policy/service rigidly constrained by statutory obligations	Regeneration scheme that involves the building of 58 housing units				
Question	Answer				
1. Is there any reason to believe that the policy/service/function could have a specific impact on people from one or more of the following groups according to their different protected characteristic, for example, because they have particular needs, experiences, issues or priorities or in terms of ability to access the service? Please tick the relevant box for each group. NB. Equality neutral means no negative impact on any group.		Positive	Negative	Neutral	Unsure
	Age			x	
	Disability			x	
	Gender			x	
	Gender Re-assignment			x	
	Marriage/civil partnership			x	
	Pregnancy & maternity			x	
	Race			x	
	Religion or belief			x	
	Sexual orientation			x	
	Other (eg low income)			x	
Question	Answer	Comments			
2. Is the proposed policy/service likely to affect relations between certain equality communities or to damage relations between the equality communities and the Council, for example because it is seen as favouring a particular community or denying opportunities to another?	No				
3. Could this policy/service be perceived as impacting on communities differently?	No				
4. Is the policy/service specifically designed to tackle evidence of disadvantage or potential discrimination?	No				
5. Are any impacts identified above minor and if so, can these be eliminated or reduced by minor actions? If yes, please agree actions with a member of the Corporate Equalities Working Group and list agreed actions in the comments section	N/A	Actions:			
		Actions agreed by EWG member:			
Assessment completed by: Name Dale Gagen					
Job title Manager of Corporate Projects	Date 9 August 2016				